

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 L-03 COME-00 H-03 CIAE-00 INR-10

NSAE-00 RSC-01 OPIC-12 OMB-01 TAR-02 TRSE-00 SIL-01

LAB-06 STR-08 FTC-01 INT-08 SS-20 SPC-03 NSC-07 DRC-01

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FM AMEMASSY ADDIS ABABA

TO SECSTATE WASHDC 8154

UNCLAS ADDIS ABABA 3238

E.O. 11652: N/A

TAGS:EIND, EFIN

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. STATE 53993; B. ADDIS A-68, MARCH 30, 1973

1. COMMENTARY ON ETHIOPIAN INVESTMENT CLIMATE INCLUDED REF B
REMAINS VALID.

2. WITH REGARD TO NATURAL RESOURCE MANAGEMENT AND INVESTMENT
POLICIES, ETHIOPIAN GOVERNMENT WELCOMES THE PARTICIPATION
FO AMERICAN COMPANIES IN DEVELOPING AND EXPLOITING ETHIOPIA'S
LARGELY UNTAPPED NATURAL RESOURCES. INTERESTED COMPANIES MUST
BE PREPRED TO DEMONSTRATE THAT THEY HAVE SUFFICIENT CAPITAL
AND KNOW-HOW. AGREEMENTS ARE WORKED OUT ON A CASE-BY-CASE BASIS.
HOWEVER, AS NOTED IN PARAGRAPH FOUR OF LAST YEAR'S STATEMENT,
APPROVAL PROCEDURES AND OTHER ADMINISTRATIVE MATTER OFTEN TAKE
CONSIDERABLY LONGER THAN U.S. BUSINESSMEN MIGHT ANTICIPATE.

3. RECENT DEVELOPMENTS: IEG AGGREGATE ECONOMIC POLICY, WHICH
HAS FOCUSED ON MAINTAINING PRICE STABILITY FOR BASIC COMMODITIES
WAS OVERWHELMED BY IMPORTED WORLDWIDE INFLATION PRESSURES DURING
THE PAST YEAR, PARTICULARLY INCREASE IN FUEL COSTS. THE LATTER
DEVELOPMENT, FOLLOWING IEG'S INABILITY TO CONTROL PRICES

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THROUGH ADMINISTRATIVE ACTION, WAS A MAJOR PRECIPITATING FACTOR

BEHIND RECENT INTERNAL INSTABILITY. BECAUSE OF BASIC HEALTH OF BOTH IEG'S FOREIGN EXCHANGE AND FISCAL POSITIONS, EMBASSY BELIEVES THAT IEG SALARY CONCESSIONS SO FAR GRANTED WILL BE MANAGEABLE AND NOT RESULT IN ANY UNDERMINING OF ETHIOPIA'S INVESTMENT CLIMATE. IN FACT, NEW GOVERNMENT OFFERS PROSPECTS FOR SIGNIFICANT IMPROVEMENT IN INVESTMENT CLIMATE WITH RESPECT TO ADMINISTRATIVE EFFICIENCY. NEW MINISTERS FOR COMMERCE AND MINES ARE GENERALLY CONSIDERED VERY COMPETENT AND ELEVATION OF PLANNING COMMISSINER TO MINISTERIAL RANK ALSO IMPROVES PROSPECTS FOR EFFECTIVE IMPLEMENTATION OF DEVELOPMENT PROGRAMS. THE IEG, HOWEVER, DOES NOT HAVE MUCH MORE BUDGETARY LEEWAY WITH RESPECT TO ADDITIONAL EXPENDITURES AND PRESSURE FOR INCREASED SALARIES IN PRIVATE SECTOR WILL NOT BE EASILY MET.

4. INVESTMENT STATISTICS (IN US \$ MILLIONS) AS OF 12/31/72:

I. US DIRECT INVESTMENT (BOOK VALUE)

A. TOTAL	23.7
B. MINING	--
C. PETROLEUM	20.9
D. MANUFACTURING	1.2
E. OTHER	1.6

II. TOTAL FOREIGN DIRECT INVESTMENT (BOOK VALUE)

A. TOTAL, INCLUDING U.S.	330, OF WHICH
B. ITALY	200
C. NETHERLANDS	35
D. FRANCE	32

III. ETHIOPIAN DIRECT INVESTMENT IN U.S.

NONE, AS FAR AS EMBASSY AWARE.

ABOVE INVESTMENT STATISTICS ARE BASED ON EMBASSY CALCULATIONS FROM CORPORATE AND OTHER COUNTRY DATA.

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